



# Social Questions

## BULLETIN

of the Methodist Federation for Social Service (unofficial), an organization which rejects the method of the struggle for profit as the economic base for society; which seeks to replace it with social-economic planning in order to develop a society without class distinctions and privileges.

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## Big Business and Defense

In May, '40, the *Wall Street Journal* assigned a staff man to do a series of articles on industry and defense. His conclusion was that "American industry is operating with its typical efficiency." Later studies show that defense production was then behind both promises and possibility, as the morning paper says is now the case with deliveries to Russia. That was when what the *Congressional Record* calls "Capital Sit Down Strike" was getting into its stride, when the President was calling for a twenty-four hour program of bombing plane production and could not get it because private interests were not ready for the required coordination and pooling of machine tool capacity.

In November, '41, the CIO Executive Board unanimously adopted "A Statement on Lagging Arms Production and Defense Unemployment," which said that "only 15% of our total industrial capacity is being devoted to arms production and only about 40% of our total present machine working capacity is being used on defense and non-defense work together"; that "plants are shutting down for lack of materials and essential machine tools are lying idle"; that all this is due to "lack of planning." Some counts are added to this indictment by journalists, business analysts, Congressional committees, government officials, and the book "Business as Usual," by I. F. Stone. There is agreement that we are now using about half our machine capacity, that the key machine tool industry is not coordinated, that in 14 months we have spent only about half the 60 odd billions appropriated for defense, that only about 5 billions worth of actual armaments have been produced. Michael Straight in the *New Republic* (11/3) describes the situation as one of "bureaucratic mismanagement" and "administrative chaos"; he states that defense agencies have failed to use the powers conferred upon them. In a September press conference the President said he had a list of slacker firms which would not cooperate. A week later he said he did not know whether this list was still under study. At Boston, in October, Assistant Attorney General Thurman Arnold charged that defense production has been hampered for ten months by "powerful groups who fear expansion may destroy their domination of industry." The Senate Committee to investigate the construction of camps and cantonments found that the construction cost per man for all the new army housing is \$66 as against \$2.16 in the first World War. Chairman Truman con-

cludes, "We have paid a terrible price for lack of planning and efficiency."

### WHO IS RESPONSIBLE?

A section of the press is saying, as it formerly did about Recovery, that the failure to achieve maximum defense production is due to government interference with business. But, from the beginning, through all the maze of reorganization, the defense program has been manned by big business, which has had the dominant voice in making and administering its policies. Its representatives, both as paid executives and \$1 a year men, retained their financial stake and their associations in the industries from which they came. The *Peoples Lobby* reports (Aug., '41) 265 \$1 a year men as important administrators in the defense program, 42 of them presidents of major corporations, 17 connected with Trade Associations and Business Institutes. There are many more as advisors and consultants. Some of these, later removed, made the early wrong estimates of raw material and productive capacity in aluminum, steel, automobiles, rail transportation and electricity, which were largely responsible for present shortages. The key legal posts in the defense program have been filled by members of the great corporation law firms.

The *Peoples Lobby* also finds that up to the first week in June at least 2 billion dollars worth of war contracts had gone to concerns whose controlling officials were in the government which made the contracts. I. F. Stone finds that these business administrators have used their positions to defend the interests with which they are connected, and that the dominating interests in the business-defense setup are the DuPont-Rockefeller-Morgan groups and the companies dependent upon them.

The Senate Committee investigating defense production found that one of the two business representatives on the commission administering aluminum priorities came from General Motors, an important consumer of aluminum, the other from a small aluminum fabricating company dependent on the Aluminum Company of America (ALCOA) for its supply. It also found that the steel industry was allowed the same high priority on aluminum for non-defense as for defense orders, that the favored non-defense industries in all priorities were those in which General Motors and its largest stockholders, the DuPonts, were interested.

### THE PATTERN OF MONOPOLY

This combination of interlocking big business interests helping each other through the defense program fills in

the pattern of monopoly that has been forming since the Civil War. The National Association of Manufacturers survey found that only 28% of our industrial plants had defense orders, that 60 great firms had 82% of the contracts. A *Fortune Magazine* survey found that government orders worth mentioning had reached only 20% of the firms with 100 or less workers, while 76.8% of those with 25,000 and more workers reported good government business. The director of the OPM contract division reported, October 5, that 56 big corporations had 75% of all defense contracts. The Bureau of Labor Statistics found, in the last quarter of 1940, that sub-contracting by overloaded plants existed in only 22% of our machine tool production. I. F. Stone recounts how the authorities managed to sidetrack community pools to handle defense contracts. The Truman Committee points out that had the big manufacturers been required to subcontract to small plants it would have reduced the demand for construction materials for new plants and prevented delay due to shortages. It would also have prevented unemployment from shutdowns.

The monopolistic opposition to decentralization of war business is matched by a similar refusal of new ideas. The defense of future profits stand higher in the record than defense of the nation. Two proposals for mass production methods in aviation, one from the publisher of the *New York Journal of Commerce*, the other from a professor in the California Institute of Technology, got the same rejection as proposals for production improvement from the organized automobile, steel, electrical, mining and other workers. Synthetic rubber to supplement a growing shortage was turned down. A Pacific Coast industrialist who proposes to build a million dollar steel plant on the coast, could get no RFC loan. Yet no big new idea, no bold plan to meet the emergency has come from the big business "no" men at the top of the defense program.

The result of the monopolistic concentration of defense orders will be an increase in the number of small business failures, thus accelerating the same trend of the depression period. Dun and Bradstreet reports show business failures with debts under \$5,000 in '39 to be about 40% of the total, by the middle of '40 about 47%, and in April, '41, about 59.6%. The Industrial Reporting Service of *Forbes Magazine* (Aug.) estimates that one-third of the nation's small business will fold up before the year's end by dislocations due to the war economy. A spokesman for one of the national associations of small businessmen makes the higher estimate of 60%.

#### THE SIT DOWN STRIKE

The increased power and gains that have come to monopolistic business through the defense program began with the sit down strike which it conducted from May, '40, to October, '40, to get its own terms in contracts. Aviation, which had received heavy government subsidies and had helped Hitler to superiority in the air, was the test case. In this industry the DuPonts, who control General Motors, are a major factor, and steel, with its own sit down in armor plate contracts, was an ally. The President of the Aviation Corporation testified before the examiner for the Securities and Exchange Commission that the Aviation Corporation controls both Vultee

and North American Aviation and is in turn controlled by General Motors.

What big business wanted was in effect a tax subsidy. It wanted to amortize its new plants in 5 years by deducting 20% of the cost each year before paying income and excess profit taxes. Six per cent is the rough average allowed for manufacturing plants. In result this was an additional profit, for the National City Bank bulletin shows that the earnings of the 18 leading aircraft and aircraft parts companies were almost three times as large in '40 as in '39, the highest rate of profit in any American industry.

Under pressure from the Army and Navy Departments and the National Defense Commission, the administration surrendered. The administration agreed to legislation permitting the 5-year amortization plan and to drop the fight for an 8% profit limit on competitive bid contracts and 7% on privately negotiated contracts. The *Wall Street Journal* estimated that under this plan aircraft plants would still earn from 9.4 to 28% on capital investment. This was when one congressman was telling the Kearny shipyard strikers it was no time "to try and grab off 10c an hour more" and another was crying "Treason."

#### PROFITS

"Not a single war millionaire," the President promised in May 22, '40, "will be created in this country as a result of the war disaster." Chairman Vinson, of the House Naval Affairs Committee, reports that the results of its questionnaire on naval contracts are "astounding." It showed in some cases 200% profit. All reports show a steady upward profit trend. The National City Bank report on 350 leading manufacturing, mining and trading corporations shows a 26% rise in net profits in the first 9 months of '41. This is on top of a 42% rise in the same period in '40 over '39, and a nearly 100% rise in '39 over '38. This represents 12.3% on the net worth of these corporations against 9.9 for '40 and 7.4 for '39. The Federal Reserve Bank of New York, reporting on 808 industrial, commercial and public utility companies, records a net profit for the first 6 months of '41 of 33% over the same period in '40. This is nearly 4 times as large as '38. The *New York Times* monthly compilation of dividend payments for October shows them larger than for any October since '37. The *Magazine of Wall Street* (11/1) says this upward trend "will doubtless be more pronounced when augmented by fourth-quarter declarations." These economic realities have taken the place of the slogans "Take the profit out of war." "Conscript wealth as well as men."

When the President surrendered to the capital sit down strikers he repeated his pledge about war millionaires and promised the enactment of an excess profits tax. Meantime big business was using its sit down position to shoot the pending bill so full of holes that it leaked like a sieve. Contrary to World War practice, the excess feature applies only to corporations, and allows them to choose between two bases—invested capital and average profits over a four-year period, '36-'39. As one result, the National City Bank bulletin reports that in 1940 only 5 of the great steel companies with big defense contracts had to pay anything for excess profits. Citing more cases from the 1941 tax returns, Assistant Secretary of Treasury John L. Sullivan told the House Ways and Means

Committee, "The truth of the matter is that the law we call an excess profits tax does not tax excess profits at all."

Consequently, the major burden in taxation for national defense falls on low and medium incomes and on many articles of consumption. In 1942, 3 million persons who never yet paid income taxes will be subject to them. Yet, in 1940, the low income groups were already paying 55.6% of the federal tax burden. A TNEC study showed that in '39 26% of all federal, state and local taxes were paid by persons of less than \$1,000. In 1941 half the burden of raising new revenue fell upon consumer's income. The new consumer taxes for '42, some direct and others excise taxes, paid by manufacturers and passed on in higher prices, will increase this load. There is some talk of mandatory purchase of defense bonds and stamps as an alternative to a straight payroll tax. Meantime, the excess profits that are paying no taxes are helping to make the new millionaires who were not to be allowed to appear.

### COST OF LIVING

Behind the rise in profits is, of course, a rise in prices. According to Department of Labor Indexes, since the war began the general level of wholesale prices has moved up over 22%, and of 28 basic items has gone up 57%. The National Industrial Conference Board finds a rise in retail food prices of 18.7% for the same period. Consequently all business analysts are forecasting a rise in retail prices to bring them more into line with the wholesale level. The National Industrial Conference Board finds the increase in the cost of living from August, '39, to September, '41, to be 8.1%. The American Bankers Association estimates a 15-20% increase for '42. The Brookings Institute says the purchasing power of 40 million people will be reduced about 25%. One of the most reliable of the confidential information services to business firms says the average family will need about 10% more to spend in 3-4 months and something like 20% sometime next year.

These increases are not due, in many lines, to shortages, as they were in the World War, certainly not in food where at present we have a surplus, though it is rapidly diminishing under demands from Great Britain. Neither are price increases due to wages as big business propaganda constantly proclaims. U. S. Commissioner of Labor Statistics, Lubin, informed the House Banking Committee, October 14, that price increases since August, '39, have already been large enough to cover "very substantial wage increases in the future, as well as those already made." He showed that net labor cost has risen 1.2% since '36, while net price increases in all wholesale commodities average 20%, in raw materials 30%, and in durable goods 11.2%. Thus the highest price rise has taken place in raw materials where "factory wages do not constitute a key factor," but prices have risen only 11.2% in the durable goods industries where the most substantial wage increases have occurred. He further testified that the increase in wages "has been offset almost by the increased amount of goods that a man turns out in one hour."

### PRICE CONTROL

The administration is trying to avoid the price inflation which is much more typical of a war economy than

the paper press inflation that wiped out the middle class in Germany after the last war. So far the reactionary coalition of Southern Bourbons and Northern representatives of big business has prevented any real price control. It has stricken from the bill the power to license and to control the market by government sales and purchases. It has substituted a five-man board for effective administration, and, in the interests of Southern landlords and Northern mortgage holders, it has raised the farm price ceiling to 30% more than the equity between industrial and agricultural prices long demanded by the farm bloc. Financial organs unite in predicting that the government will be unable to stop price inflation, that the best it can do is to prevent a run-away. Businessmen are being advised to plan for at least 25% higher average wholesale prices sometime in '42 and at least 50% higher average sometime in '43.

This means a further reduction in the standard of living of that one-third of our people who are officially proclaimed to be ill-housed, ill-fed and ill-clothed. Mordecai Ezekiel, Department of Agriculture economist, has recently written that the top income quarter of our population consumes 40% of our food, and 54% of our clothing; that the lowest quarter (those receiving less than \$635 per year) consumes only one-eighth of our food and one-thirteenth of our clothing. For a while this section is due to get less, with a corresponding decrease in our national health and morale.

### THE CAUSE

The defects and the consequences of our national defense program herein briefly summarized, are not so much an indictment of the men who are running it, but of the system which produced them, which they practice and defend. How could men trained to think and act in terms of sales, profits, interest, dividends, and the controlled scarcity that now produces these things under the capitalist economy, be expected to suddenly think and act in terms of maximum planned production for the national well-being? It was by controlled scarcity that the administration was trying to secure Recovery. When it failed, a war economy was the only alternative and that was also under bonds to the price and profit system and inevitably followed its habit pattern.

The same situation had occurred in England. On June 7, '40, before he entered the government, Ernest Bevin, conservative labor leader, said, "A system based on monopoly and big business has failed to deliver the goods in the hour of trial." Among the answers to "What's holding up production?" Labor Research Department of London lists no comprehensive planning authority; government controls manned by representatives of private monopolies; widespread favoritism in government contract planning; cost plus contracts; fear of war expansion that may mean post-war fall in profits.

This record abundantly confirms our judgment upon the profit seeking economy by the ethic of our gospel. It challenges us to warn the people that unless they can dislodge Big Business from its control of the defense program, their last state will most certainly be worse than their first.

HARRY F. WARD.

## Federation Conferences

### EASTERN REGIONAL

*New York City, January 5 and 6.*  
**Hotel Irving, 133 E. 19th St.**, under the joint auspices of our Federation, the Church League for Industrial Democracy and the United Christian Council for Democracy.

**Purpose:** To discuss how Christians and Jews in the United States can preserve and extend our democracy.

**Program:** Monday, January 5, 5 to 6 P.M. Registration at Hotel Irving.

6 to 9:30 P.M. Dinner (75c per plate). Speakers—Rabbi Ben Zion Bokser, Lecturer at the Institute for Religious Studies and Rev. Clayton Powell, Jr., Pastor, Abyssinian Baptist Church, member City Council, New York. Subject—"Race Discrimination"; Bishop Francis J. McConnell. Subject—"How Use the Bible in the Present Crisis."

**Tuesday, January 6, 9:30 to 10:15 A.M.** Episcopal Chapel, 281 Fourth Ave. Memorial Service for Bishop Robert L. Paddock. The Right Rev. Henry St. George Tucker, Presiding Bishop of the Episcopal Church, will conduct the service. Rev. Charles K. Gilbert, Suffragan Bishop of New York, Vice-president of the C.L.I.D., will give the address.

**10:15 to 11:30 A.M.** Russell Sage Foundation, 130 E. 22nd St. Speaker—Rev. Cameron P. Hall, Director, Dept. of Social Education and Action of the Presbyterian Church in the U. S. A. Subject—"Living Standards in Our Democracy."

**11:30 to 12:45 P.M.** Speaker—Mr. Howard G. Matson, Unitarian Fellowship for Social Justice. Subject—"Civil Liberties in the U.S.A."

**1 to 2:30 P.M.** Luncheon, Hotel Irving (60c per plate). Speaker—Dr. Mary Van Kleeck, Director of Industrial Studies, Russell Sage Foundation, Vice-president C.L.I.D. Subject—"The Trade Unions in American Democracy."

**2:30 to 4:30 P.M.** Russell Sage Foundation, 130 E. 22nd St. Federation Conference; C.L.I.D. Conference. Also meetings of the other Unit organizations.

**4:30 to 5:30 P.M.** United Christian Council for Democracy business meeting. Report of Findings Committee.

6 to 9:30 P.M. Dinner (75c per

plate). Hotel Irving. Speakers—Rev. Joseph F. Fletcher, Dean, Graduate School of Applied Religion, Cincinnati, O., member Board of Directors, C.L.I.D. Subject—"The Significance of the Malvern Conference for the U. S. A.;" Dr. Harry F. Ward, Secretary of the M.F.S.S. Subject—"The Economic Bases of a Durable Peace."

**Conference Information:** Registration fee 50c. Notify Charles C. Webber, 150 Fifth Ave., New York, N. Y. by January 2nd, as to the number of meals desired. He will send you, upon request, information as to reasonable accommodations for the night of January 5.

### MIDWEST REGIONAL

*Toledo, Ohio, January 8 and 9.* Under the same auspices as the Eastern Regional Conference, and with the same Purpose. This Conference is primarily for U.C.C.D. members and friends in Indiana, Michigan and Ohio.

**Speakers**—Dr. Harry F. Ward and outstanding Midwestern representatives of the various Unit organizations in the United Christian Council for Democracy.

Doctor Ward will give two addresses, one on "Christianity and the World Crisis," the other on "Big Business and Defense."

**Conference Information:** Registration fee 50c. Notify Rev. Richard E. Scully, 136 Huron St., Toledo, Ohio, by January 6, as to the number of meals desired. He will send you, upon request, information as to reasonable accommodations for the night of January 8.

### CHICAGO CONFERENCE

*Chicago, Ill., January 15 or 16.* Under the auspices of the Rock River Conference Federation Unit.

**Speaker**—Dr. Harry F. Ward. Subject—"The Christian New Order."

**Conference Information:** Write Rev. Armand Guerrero, 4608 No. Kilpatrick, Chicago, Ill., for the exact date and location.

### ROCKY MOUNTAIN REGIONAL

*Denver, Colo., the week of January 19-23.* Speakers—Dr. Harry F. Ward and other outstanding Federation members.

**Conference Information:** Write Rev. Edgar M. Wahlberg, 210 W. 13th Ave., Denver, Colo., for the exact date and location.

### PACIFIC COAST CONFERENCES

According to Doctor Ward's present plans he expects to meet with our Federation members in San Diego, California, the week of February 2-6. (Write Rev. John Gabrielson, 4075 Park Blvd., San Diego, Calif., for the exact date that Doctor Ward will speak); in the Los Angeles, Calif., area during the week of February 8-14; in the Oakland-San Francisco area during the week of February 15-21; in the Portland, Ore., area the week of February 22-28, and in the Seattle, Wash., area the week of March 1-7.

### News from the Field

During October, Charles C. Webber gave addresses at the Rock River, Central Kansas, Kansas, St. Louis, Oklahoma and Virginia Conferences.

In November he spoke at Franklin and Marshall College and Seminary, Yale University and Divinity School, and before church forums and audiences in New Haven, Bridgeport, Stamford and Hartford, Conn.

December 13th he speaks at Cornell University under the auspices of the Cornell United Religious Work.

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**Membership \$1.00 per year**  
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